

1. Introduction

The Consolidated Plan is a U.S. Department of Housing and Urban Development (HUD) requirement that combines the planning and application process for four HUD grant programs: the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), the Emergency Shelter Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA), and – new this year – the American Dream Downpayment Initiative (ADDI). Massachusetts expects to receive approximately \$58 million per year for the next five years under these programs. Applicants for funding under any of 17 other HUD programs must demonstrate that their application is consistent with the Consolidated Plan. The Plan examines current market conditions and the housing and community development needs of the state; sets priorities for spending the funds the state expects to receive; identifies goals, objectives and the benchmarks it will use for measuring progress. An annual performance report and an analysis of impediments to fair housing are complementary components of the same planning process. They are filed separately.

This is the third five-year plan the Commonwealth of Massachusetts has submitted to HUD. The state's Department of Housing and Community Development (DHCD) allocates the CDBG funds that Massachusetts receives under this plan exclusively to its “non-entitlement” communities. These are the 326 cities and towns that are not eligible to apply for community development funding directly from HUD. (Thirty-five other “entitlement” communities – mostly larger cities⁵ – receive funds directly, for which they submit their own consolidated plans.) Funding under the other four programs may be allocated statewide, although DHCD gives priority to requests from non-entitlement communities if they have priority needs and can demonstrate the ability to address them in a manner consistent with the state's strategy.

The market analysis and needs assessment cover the entire state. Where needs differ significantly by type of community or geography, data have been broken out accordingly. Many of the market trends and needs have been aggregated into seven geographic regions. (See **Map 1.1**) These regions correspond to the University of Massachusetts *Benchmarks*⁶ regions and the Governor's newly formed Regional Competitiveness Councils (RCCs). The RCCs form the foundation of the Governor's economic and community development strategy, and *Massachusetts Benchmarks* provides quarterly analysis of the state's economy by these regions.

Looking Back

When Massachusetts prepared its first Consolidated Plan in 1995, the state was still in the early stages of recovering from the deep economic downturn of the late 1980s and early 1990s. Total employment was still below its pre-recession peak, although the unemployment rate had started to drop. Housing prices had stabilized and, in some market segments, were beginning to rise again.

⁵ Principal cities of Metropolitan Statistical Areas (MSAs); other metropolitan cities with populations of at least 50,000; and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities) are entitled to receive annual grants. HUD determines the amount of each entitlement grant by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

⁶ *Massachusetts Benchmarks* is a cooperative project of the University of Massachusetts and the Federal Reserve Bank of Boston. Managed by the Donahue Institute at UMass, it provides decision makers, opinion leaders and economic development practitioners with information and analysis about the health of the state's economy, its performance over time and its prospects for future growth, including periodic economic analyses of the Commonwealth's major geographic regions and key industries.

Map 1.1

Vacant residential, commercial, and industrial properties were being absorbed in the newly expanding economy.

Over the next five years, the state's economic recovery outpaced the nation's. When the second Plan was prepared in 2000, Massachusetts boasted the lowest unemployment rate among the major industrialized states. Fueled by the growth of knowledge-based companies, total employment was at record levels in most parts of the state. In eastern Massachusetts, residential and commercial real estate markets were experiencing low vacancies and shrinking inventories. Rents and home prices had risen dramatically. Oversupply had been replaced by scarcity in the labor market as well as in the commercial/industrial and residential real estate markets. Employers were reporting difficulty finding skilled workers and the space needed to house their businesses and employees. While existing homeowners were seeing the value of their houses rise, all but the most affluent renters and prospective buyers were finding the dream of homeownership moving further from their grasp.

Now, five years later, the pendulum has swung back. The recent economic downturn hit Massachusetts especially hard. While not as deep and sustained as the last recession, the state has ceded 6 percent of its peak jobs, and income growth has stagnated. Unlike the last recession, however, home prices this time have continued to climb. Housing production still lags behind demand, and increasing numbers of residents are facing housing cost burdens. The squeeze has been felt across the income spectrum. Employers worry that the cost of housing will impair their ability to attract new workers to the state when the economic recovery does gain momentum. Many households – mostly renters – have left the state since 2000. Homelessness has increased across Massachusetts, and family homelessness, in particular, has become more acute in recent years. It is for these reasons that Governor Romney has made increasing housing starts and ending homelessness top priorities of his administration.

An Assessment of Progress

Massachusetts has long been a leader in creating affordable subsidized housing opportunities for its residents. Using state and federal resources, the Department of Housing and Community Development, its affiliated quasi-public agencies, more than 250 local and regional housing authorities, and a wide array of private for-profit and nonprofit housing developers engage in an exceptionally high level of publicly assisted housing activity. Each year, more than a billion dollars of federal, state, and quasi-public funds are spent to build, renovate, preserve, or subsidize affordable housing in Massachusetts and to leverage private investment.

Over the past three years, the state has increased its commitment to new housing production, a challenging task in an era of high costs and shrinking subsidies. It established an Affordable Housing Trust Fund in FY 2001 that has enabled stalled affordable housing developments to move into construction. A state version of the Low Income Housing Tax Credit program complements the federal program, extending its benefits. A recently approved \$200 million Disabilities Bond Bill will expand community based housing options for those with special needs. The private sector has been encouraged to create affordable units through the statutory relief provided under Massachusetts' affordable housing zoning law, Chapter 40B, and various incentive zoning techniques. Under the newly enacted Chapter 40R, cities and towns can become eligible for a number of monetary incentives from the state if they establish "smart growth zoning overlay districts" where developers can build new housing close to transit nodes, town centers, and in underutilized or abandoned properties. On the non-housing front, the state has invested heavily in its public facilities and infrastructure, including the roads, bridges, schools and libraries that are a prerequisite to housing and community development.

DHCD, the agency responsible for the preparation of this plan, is pleased to report here on the outcome of housing and community development measures undertaken during FY 2000- FY 2004, the time period covered by the previous Consolidated Plan. (See **Table 1.1**)

Table 1.1

Program	FY 2000		FY 2001		FY 2002		FY 2003		FY 2004**	
	# Units	\$	# Units	\$	# Units	\$	# Units	\$	# Units	\$
HOUSING										
CDBG										
Housing Rehab (CDF I & II)	1,640	\$11,969,913	1,353	\$8,878,480	1,274	\$14,600,027	207	\$9,942,928	NA	\$17,231,485
HDSP	57*	\$2,078,069	31	\$2,706,303	23	\$1,920,385	30	\$3,666,355	NA	\$2,407,878
HOME										
MF Rental Housing	246	\$6,851,862	440	\$8,389,031	574	\$8,490,608	209	\$9,654,092	634	\$19,230,198
Homebuyer Assistance	378	\$5,106,784	386	\$6,120,152	206	\$4,278,157			94	\$3,339,659
HOPWA				\$981,000		\$1,072,000		\$1,119,000		\$525,000
ESG	60 provid-ers	\$2,161,000	74 provid-ers	\$2,240,000	263	\$2,235,000	263	\$2,245,000	263	\$2,168,000
NON-HOUSING COMMUNITY DEVELOPMENT										
Public Facilities		\$12,417,861		\$5,278,646		\$8,002,584		\$9,465,438		\$3,092,373
Infrastructure		\$9,709,786		\$9,069,556		\$12,653,246		\$12,947,372		\$8,870,265
Public Service		\$1,495,183		\$841,787		\$1,752,599		\$2,288,271		\$1,433,121
Economic Development		\$2,884,072		\$582,715		\$1,850,819		\$2,831,202		\$1,046,825
Planning		\$678,100		\$1,301,659		\$674,876		\$540,184		NA

* Includes 36 SRO units

** There are open CDBG grants with unexpended funds as of Year End 2004; additional funds may be allocated and/or reallocated. Total FY 2004 CDBG awards are expected to exceed \$39 million.

Looking Ahead

The state's fundamental objectives and strategies have not changed in the five years since it submitted the last plan, but economic conditions and some of its priorities and programmatic initiatives have. Under the Romney Administration, the state's organizational infrastructure has been realigned to ensure more efficient use of resources and more effective outcomes from the programs and services it provides. For example, the Governor created the Office for Commonwealth Development (OCD), which unifies DHCD, the Executive Office of Environmental Affairs, the Executive Office of Transportation, and the Department of Energy Resources. The OCD was created to ensure that the Commonwealth's land use decisions and all investments in housing, community development, environment, transportation, and energy are part of a coordinated, targeted investment plan.

The 2005-2009 Massachusetts Consolidated Plan represents a departure in format, size and philosophy from previous plans in two important ways: presentation and performance measurement. Incorporating recommendations established by HUD's Consolidated Plan Improvement Initiative, the Plan has been reformatted to make it easier to read and use. Sections have been consolidated and redundancies eliminated. The use of formatting, tables, bullet points, and cross-referencing significantly reduce the size of the text, while maintaining all of the required data. Documents that cover the same material are incorporated by reference and electronic links.

The focus of the Plan has shifted from reporting *activities* to measuring *outcomes*. With the goal of providing a more useful tool for evaluating the success of the Commonwealth's housing and community development activities, the numerous action steps included in prior plans have been replaced by fewer key metrics that measure outcomes.

Organization of Plan

In addition to the required certifications and several appendices, the remainder of this Plan is organized into four major sections:

- The Housing Market Analysis provides general information on the state's housing market (economic and demographic trends, supply, demand, cost and affordability, etc.). It also summarizes the state's existing public and publicly assisted housing; identifies housing resources for the homeless; concentrations of racial and ethnic minorities or low income households living in concentrated low income areas; and barriers to affordable housing development.
- The Needs Assessment, consisting of five sub-sections, describes separately the nature and extent of the housing needs of 1.) the general population, 2.) the homeless, 3.) non-homeless families and individuals with special needs, 4.) the non-housing community development needs of Massachusetts cities and towns, and 5.) the particular needs arising from the presence of lead paint in much of the state's aging housing stock.
- The Strategic Plan lays out the state's objectives, priorities and strategies for the 2005-2009 period and estimates the resources it expects to have available to address these needs. It ranks the needs in each major area – affordable housing, homeless, special needs, and community development – according to HUD prescribed guidelines as high, medium or low priority and identifies the outcomes the state expects to achieve and the manner in which it will assess performance.

This section includes a description of the state's organizational infrastructure and its plans for ensuring coordination among housing providers and private and governmental agencies. It also describes the Commonwealth's strategies for removing barriers to affordable housing, reducing the number of families living in poverty and expanding opportunities for public housing tenants.

- The One Year Action Plan is included in the Consolidated Plan for fiscal year 2005 and will be submitted annually, as a stand alone document thereafter. The Action Plan is more detailed than the Strategic Plan, describing how the state will allocate its HUD funds, and other resources, to achieve its five-year objectives. For example, while the Strategic Plan states that Massachusetts will expand homeownership opportunities, the Action Plan estimates the number of units that will be created during the coming year.